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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554

In the Matter of )  
 )  
Amendments to Uniform System of ) CC Docket No. 97-212  
Accounts for Interconnection )

**REPLY OF U S WEST, INC.**

U S WEST, Inc. ("U S WEST") hereby replies to comments filed in response to the Federal Communications Commission's ("Commission") Notice of Proposed Rulemaking ("NPRM") on the accounting treatment related to interconnection and shared infrastructure.<sup>1</sup> U S WEST concurs in the reply comments filed by the United States Telephone Association ("USTA") herein today. In this Reply, U S WEST provides supplemental comments on one issue -- the Commission's proposal that incumbent local exchange carriers ("ILEC") conduct special studies to determine how interconnection and unbundled network element ("UNE") costs should be assigned among subsidiary accounts (i.e., the sub-accounts that the Commission proposes to require ILECs to create for interconnection purposes).<sup>2</sup>

As a preliminary matter U S WEST reiterates that it opposes, as USTA did

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<sup>1</sup> In the Matter of Amendments to Uniform System of Accounts for Interconnection, CC Docket No. 97-212, Notice of Proposed Rulemaking, FCC 97-355, rel. Oct. 7, 1997.

<sup>2</sup> Id. ¶ 14.

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in its comments,<sup>3</sup> the creation of any new Part 32 accounts to deal with interconnection.<sup>4</sup> U S WEST also opposes the Commission's proposal that ILECs be required to conduct special cost studies to assign costs to subsidiary records. This would be a burdensome task that would have little, if any, impact on the allocation of costs between jurisdictions. From the Commission's NPRM it appears that an ILEC would be required to conduct a special cost study for each UNE and interconnection arrangement contained in each arbitration agreement in each state with periodic updates to reflect state action that alters the underlying cost structure.<sup>5</sup> It appears that the results of these studies would be used to assign interconnection and UNE costs contained in Part 32 accounts (i.e., pre-separations) on a monthly basis to the different jurisdictions. This approach would require an enormous amount of effort (and significant expense) to arrive at basically the same result (i.e., the same cost assignments) that would be obtained if interconnection costs and revenues were allowed to flow through separations.

The Commission's proposed approach neither enhances the accuracy of accounting information nor does it serve administrative efficiency. Therefore, the Commission should discard its pre-separations cost study proposal. U S WEST recommends that the Commission require interconnection revenues be assigned to Account 5240, Misc. Rents, and that these revenues be separated based on the

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<sup>3</sup> U S WEST participated in developing USTA's initial comments, filed Dec. 9, 1997 in this proceeding and concurs in them.

<sup>4</sup> See USTA Comments at 2, 8, 10.

<sup>5</sup> NPRM ¶ 14.

overall separations factors for the underlying plant. The results would be substantially the same as under the Commission's proposal without unnecessarily expending a significant amount of time and effort to disaggregate pre-separations costs.<sup>6</sup>

Respectfully submitted,

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Of Counsel,  
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January 26, 1998

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<sup>6</sup> Simply put, removing costs pre-separations reduces post-separations costs by an amount equal to the product of pre-separations costs multiplied by the composite assignment factor. For example, if a carrier has \$100 million in unbundled loop revenues, removing \$100 million in unbundled loop costs pre-separations would reduce the amount of costs to be recovered from all other rate elements by \$75 million in the intrastate jurisdiction and \$25 million in the interstate jurisdiction (i.e., since the composite allocation factor for loop costs is 75% intrastate/25% interstate). The same result would be achieved by recording the \$100 million in unbundled loop revenue in Account 5240 and assigning 75% of this revenue to the intrastate jurisdiction and 25% to the interstate jurisdiction. This would reduce post-separations costs to be recovered from other rate elements by \$75 million in the intrastate jurisdiction and by \$25 million in the interstate jurisdiction.

## CERTIFICATE OF SERVICE

I, Kelseau Powe, Jr., do hereby certify that on this 26<sup>th</sup> day of January, 1998, I have caused a copy of the foregoing **REPLY OF U S WEST, INC.** to be served, via first class United States Mail, postage pre-paid, upon the persons listed on the attached service list.

  
Kelseau Powe, Jr.

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